

Residential Rentals

Reporting Requirements

CALCULATING THE TAX DUE

The City's tax rate is 2.0%. There are no state or county taxes on residential rentals.

You may choose to charge the tax separately or you may include tax in your price. If you include tax in your price (no separate charge for tax), you may back out ("factor out") the tax in order to compute the amount of tax included in your gross rent. The factored tax rate for residential rental is 1.9608%. **Factoring Tax should only be used when tax is not separately charged.** If more City tax was collected than was due the excess tax collected must be remitted to the City.

There are two acceptable ways to calculate your tax deduction.

When tax is separately charged and collected.

In this example the landlord rents a property for \$650 plus tax at the current tax rate of 2%. Since the tax is separately charged and collected from the renter, the landlord may deduct the taxes collected from the gross rent when reporting and paying taxes:

Rental price	\$650.00
Tax collected (2%)	<u>13.00</u>
Gross receipts	\$663.00
Gross receipts	\$663.00
less tax collected deduction	<u>13.00</u>
Taxable revenue	\$650.00
City tax at 2%	13.00

Tax Deduction Calculator

To be used when tax has been separately charged.

Gross receipts:	
Tax Collected: Deduction Code "F"	
Taxable Revenue:	
City tax at 2%:	

When tax is not separately charged and collected (factoring tax).

In this example the landlord rents a property for \$650 which includes tax. This means the landlord included the tax as part of the \$650 rent but chose not to show the tax collected as a separate amount on the rental receipt. Since the landlord did not separately charge and collect tax from the renter but included it as part of the rental price, the landlord is allowed to "factor" the tax collected out of the gross rent to determine taxable revenue:

Gross receipts	\$650.00
Factored tax "rental" (1.9608%)	12.75
Gross receipts	\$650.00
less factored tax deduction	<u>12.75</u>
Taxable revenue	\$637.25
City tax at 2%	12.75

Factored Tax Calculator

Factor $\frac{\text{Tax}}{\text{Gross Receipts}}$ * Tax should only be used when tax has not been separately charged.

Gross receipts:	
Factored tax (1.9608%): Deduction Code "F"	
Taxable Revenue:	
City tax at 2%:	